

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HARRISON)
COUNTY RURAL ELECTRIC COOPERA-)
TIVE CORPORATION TO BORROW AN)
ADDITIONAL SUM OF \$590,000 FROM)
THE UNITED STATES OF AMERICA AND)
TO EXECUTE A NOTE FOR SAID)
AMOUNT AND TO CONCURRENTLY)
BORROW FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)
THE SUM OF \$266,000 AND TO)
EXECUTE ITS NOTE THEREFOR TO BE)
SECURED BY AN EXISTING COMMON)
MORTGAGE HERETOFORE EXECUTED)

CASE NO. 8829

O R D E R

Harrison County Rural Electric Cooperative Corporation ("Harrison County") filed its application on May 11, 1983, for authorization to borrow funds and a certificate of public convenience and necessity to construct certain improvements and additions to its existing plant. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$1,155,300 and will be financed by a loan of \$590,000 from the Rural Electrification Administration ("REA"), a loan of \$266,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and \$312,600 from internal funds. The Commission requested additional information from Harrison County on May 18 and June 14, 1983, which was received on May 20, June 27, and July 5, 1983.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Harrison County is seeking to borrow funds from the REA. On November 12, 1982, the Franklin Circuit Court issued its opinion in West Kentucky RECC v. Energy Regulatory Commission. Therein, the Court held that the Commission had no authority to approve or disapprove borrowings from the REA since the REA is an agency of the federal government and KRS 278.300(10) exempts such borrowing from Commission regulation. Accordingly, the Commission takes no action on the REA portion of Harrison County's proposed borrowing.

2. Public convenience and necessity require the construction by Harrison County of the improvements and additions to its existing plant as described in the application and record, and that a certificate be granted.

3. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Harrison County, is necessary and appropriate for and consistent with the proper performance by Harrison County of its service to the public, and will not impair its ability to perform that service.

4. On March 18, '1983, CFC initiated a new policy concerning variable interest rate financing applied to CFC long-term loans and procedures used by member systems in requesting the application of such rates to new loans and to existing loans which may be eligible for the variable rate.

At this time, Harrison County has chosen not to implement this program. However, in some instances implementation of this program may result in substantial cost savings. Harrison County should periodically evaluate its outstanding loans which have optional term provisions and take advantage of any savings in interest cost which may be achieved through conversion. If Harrison County should choose to implement the variable interest rate program on loans approved herein, or other loans which have been approved under different terms, and are eligible for variable terms, Harrison County should file an amended application seeking approval of such from this Commission.

IT IS THEREFORE ORDERED that Harrison County be and it hereby is granted a certificate of convenience and necessity to proceed with the construction as set forth in the application and record.

IT IS FURTHER ORDERED that Harrison County be and it hereby is authorized to borrow \$266,000 from CFC for a 35-year period, at an initial interest rate of 12 1/4 percent per annum for the first 7 years of the loan and to be subject to adjustment thereafter.

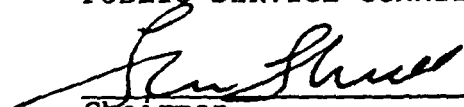
IT IS FURTHER ORDERED that Harrison County be and it hereby is authorized to execute its notes as security for the loan herein authorized.

IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 20th day of July, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Did not participate
Commissioner

ATTEST:

Secretary